

Fiscal Note

Fiscal Services Division



HF 598 – Agricultural All Terrain Vehicle Sales Tax Exemption (LSB 1432HV)
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Fiscal Note Version – New

Description

House File 598 provides a sales tax exemption for all-terrain vehicles (ATVs) and utility vehicles (UVs) that are used primarily in the production of agriculture.

Assumptions

Assumptions for the fiscal impact include:

- The total taxable sales of ATVs was based on estimated taxable sales totaling \$28.1 million in FY 2011. Additionally, the estimate assumes that under current law, 32.0% of ATV sales were exempt based on the current definition of “primarily and directly” used for agriculture purposes.
- Total UV sales are assumed to be about 2,700 with an estimated average cost of \$9,000 per vehicle in 2013.
- Sales growth is estimated at 3.1% annually. The ATV and UV prices are estimated to increase 3.4% in FY 2015, 3.9% in FY 2016, 4.1% in FY 2017, and 3.3% in FY 2018.
- Based on Department of Revenue audit data, the proposed law is estimated to exempt 37.5% of current taxable sales.

Fiscal Impact

The estimated fiscal impact of this bill will be a reduction in State sales tax revenues of \$1.5 million in FY 2014, \$1.6 million in FY 2015, \$1.7 million in FY 2016, and \$1.8 million in FY 2017. The following table provides the estimated total sales tax impact, the impact on the General Fund, and the impact on the Secure an Advanced Vision for Education (SAVE) fund.

Estiamted Fiscal Impact of HF 598 (Dollars in Millions)				
	FY 2014	FY 2015	FY 2016	FY 2017
Est. Total Sales Tax Exemption Amount	\$ 1.5	\$ 1.6	\$ 1.7	\$ 1.8
Reduction in General Fund Revenues	1.2	1.3	1.4	1.5
Reduction in SAVE Fund Revenues	0.2	0.3	0.3	0.3

Additionally, Local Option Sales Tax (LOST) amounts will be reduced by an estimated \$0.2 million in FY 2014, \$0.3 million in FY 2015 through FY 2017.

Sources

Iowa Department of Revenue
LSA analysis and calculations

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
